

RANDOLPH COUNTY BOARD OF EDUCATION
CUTHBERT, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017
(Including Independent Auditor's Reports)

RANDOLPH COUNTY BOARD OF EDUCATION

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

July 27, 2020

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Randolph County Board of Education

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Randolph County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

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includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2017, the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. *77*, *Tax Abatement Disclosures*, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, and GASB Statement No. 82, *Pension Issues*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of the Net Pension Liability, Schedule of Contributions to Retirement Systems, Notes to the Required Supplementary Information and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual as presented on pages 27 through 31 , be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

July 27, 2020

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RANDOLPH COUNTY BOARD OF EDUCATION

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RANDOLPH COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 2,615,707.42
Receivables, Net	
Taxes	372,584.57
State Government	742,717.12
Federal Government	226,898.36
Other	3,599.17
Inventories	12,061.01
Capital Assets, Non-Depreciable	72,035.00
Capital Assets, Depreciable (Net of Accumulated Depreciation)	5,806,190.73
Total Assets	9,851,793.38
DEFERRED OUTFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	2,537,521.00
LIABILITIES	
Accounts Payable	117,523.33
Salaries and Benefits Payable	955,614.40
Payroll Withholdings Payable	27,041.27
Deposits and Unearned Revenues	104.91
Net Pension Liability	10,362,596.00
Total Liabilities	11,462,879.91
DEFERRED INFLOWS OF RESOURCES	
Related to Defined Benefit Pension Plan	451,153.00
NET POSITION	
Investment in Capital Assets	5,878,225.73
Restricted for	
Continuation of Federal Programs	12,061.01
Debt Service	0.01
Capital Projects	1,089,582.24
Bus Replacement	120,795.87
Unrestricted (Deficit)	(6,625,383.39)
Total Net Position	$ 475,281.47

The notes to the basic financial statements are an integral part of this statement.

RANDOLPH COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 6,333,965.14	$ 60,588.22
Support Services		
Pupil Services	538,776.10	-
Improvement of Instructional Services	1,081,481.79	-
Educational Media Services	160,433.52	-
General Administration	484,750.45	-
School Administration	787,406.28	-
Business Administration	245,509.66	-
Maintenance and Operation of Plant	1,247,477.35	-
Student Transportation Services	1,024,384.23	-
Central Support Services	75,608.70	-
Other Support Services	52,542.08	-
Operations of Non-Instructional Services		
Food Services	943,446.26	49,764.10
Interest on Short-Term and Long-Term Debt	2,625.00	-
Total Governmental Activities	$ 12,978,406.56	$ 110,352.32
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Debt Services		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET POSITION
$ 4,827,148.92	$ -	$ (1,446,228.00)
250,866.23	-	(287,909.87)
630,482.92	-	(450,998.87)
110,751.00	-	(49,682.52)
389,180.19	-	(95,570.26)
373,605.96	-	(413,800.32)
41,809.88	-	(203,699.78)
346,477.39	-	(900,999.96)
315,542.27	77,220.00	(631,621.96)
660.34	-	(74,948.36)
32,412.97	-	(20,129.11)
906,810.92	-	13,128.76
-	-	(2,625.00)
$ 8,225,748.99	$ 77,220.00	(4,565,085.25)
		3,315,018.41
		29,246.39
		4,446.20
		1,564.44
		18,165.65
		133,150.00
		1,114.81
		232,724.00
		3,735,429.90
		(829,655.35)
		1,304,936.82
		$ 475,281.47

RANDOLPH COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 1,521,496.89	$ 1,094,210.52	$ 0.01	$ 2,615,707.42
Receivables, Net				
Taxes	372,584.57	-	-	372,584.57
State Government	742,717.12	-	-	742,717.12
Federal Government	226,898.36	-	-	226,898.36
Other	3,599.17	-	-	3,599.17
Inventories	12,061.01	-	-	12,061.01
Total Assets	$ 2,879,357.12	$ 1,094,210.52	$ 0.01	$ 3,973,567.65
LIABILITIES				
Accounts Payable	$ 112,895.05	$ 4,628.28	$ -	$ 117,523.33
Salaries and Benefits Payable	955,614.40	-	-	955,614.40
Payroll Withholdings Payable	27,041.27	-	-	27,041.27
Deposits and Unearned Revenue	104.91	-	-	104.91
Total Liabilities	1,095,655.63	4,628.28	-	1,100,283.91
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	200,000.00	-	-	200,000.00
FUND BALANCES				
Nonspendable	12,061.01	-	-	12,061.01
Restricted	120,795.87	1,089,582.24	0.01	1,210,378.12
Assigned	16,396.50	-	-	16,396.50
Unassigned	1,434,448.11	-	-	1,434,448.11
Total Fund Balances	1,583,701.49	1,089,582.24	0.01	2,673,283.74
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,879,357.12	$ 1,094,210.52	$ 0.01	$ 3,973,567.65

The notes to the basic financial statements are an integral part of this statement.

RANDOLPH COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C")		$ 2,673,283.74
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	$ 72,035.00	
Buildings and improvements	10,563,163.53	
Equipment	1,561,290.00	
Land improvements	411,042.00	
Accumulated depreciation	(6,729,304.80)	5,878,225.73
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(10,362,596.00)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		2,086,368.00
Taxes that are not available to pay for current period expenditures are deferred in the funds.		200,000.00
Net position of governmental activities (Exhibit "A")		$ 475,281.47

RANDOLPH COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 3,359,664.00	$ -	$ -	$ 3,359,664.00
Sales Taxes	18,165.65	1,564.44	4,446.20	24,176.29
State Funds	5,806,416.30	-	-	5,806,416.30
Federal Funds	2,622,398.45	-	-	2,622,398.45
Charges for Services	110,352.32	-	-	110,352.32
Investment Earnings	236.63	55.44	822.74	1,114.81
Miscellaneous	232,724.00	-	-	232,724.00
Total Revenues	12,149,957.35	1,619.88	5,268.94	12,156,846.17
EXPENDITURES				
Current				
Instruction	5,972,054.71	8,414.34	-	5,980,469.05
Support Services				
Pupil Services	532,401.72	-	-	532,401.72
Improvement of Instructional Services	1,062,254.58	-	-	1,062,254.58
Educational Media Services	157,113.92	-	-	157,113.92
General Administration	453,000.80	31,749.65	-	484,750.45
School Administration	773,068.59	-	-	773,068.59
Business Administration	222,574.18	19,295.78	-	241,869.96
Maintenance and Operation of Plant	1,189,518.57	54,815.76	-	1,244,334.33
Student Transportation Services	782,589.15	-	-	782,589.15
Central Support Services	74,336.27	-	-	74,336.27
Other Support Services	50,878.98	-	-	50,878.98
Food Services Operation	937,797.28	-	-	937,797.28
Capital Outlay	131.29	735.00	-	866.29
Debt Services				
Principal	-	-	700,000.00	700,000.00
Interest	-	-	7,875.00	7,875.00
Total Expenditures	12,207,720.04	115,010.53	707,875.00	13,030,605.57
Revenues over (under) Expenditures	(57,762.69)	(113,390.65)	(702,606.06)	(873,759.40)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	375,839.18	-	375,839.18
Transfers Out	-	-	(375,839.18)	(375,839.18)
Total Other Financing Sources (Uses)	-	375,839.18	(375,839.18)	-
Net Change in Fund Balances	(57,762.69)	262,448.53	(1,078,445.24)	(873,759.40)
Fund Balances - Beginning	1,641,464.18	827,133.71	1,078,445.25	3,547,043.14
Fund Balances - Ending	$ 1,583,701.49	$ 1,089,582.24	$ 0.01	$ 2,673,283.74

The notes to the basic financial statements are an integral part of this statement.

RANDOLPH COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E")	$	(873,759.40)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation expense		(462,820.00)
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(15,399.20)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Bond principal retirements		700,000.00
District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension expense		(182,926.75)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest on issuance of bonds		5,250.00
Change in net position of governmental activities (Exhibit "B")	$	(829,655.35)

The notes to the basic financial statements are an integral part of this statement.

RANDOLPH COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 325.97
LIABILITIES	
Funds Held for Others	$ 325.97

The notes to the basic financial statements are an integral part of this statement.

NOTE 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Randolph County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a board elected by the voters and a Superintendent appointed by the Board. The School District is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

BASIS OF PRESENTATION

The School District's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements. The government-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

GOVERNMENT-WIDE STATEMENTS:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. Net investment in capital assets consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
2. Restricted net position consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate financial statements are presented for governmental and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.
- The capital projects fund accounts for and reports financial resources including Education Special Purpose Local Option Sales Tax (ESPLOST) that are restricted, committed or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Agency funds are used to report resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures.* This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

RECEIVABLES

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State or other grants for expenditures made but not reimbursed and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

INVENTORIES

Food Inventories

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (calculated on the first-in, first-out basis). The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

CAPITAL ASSETS

On the government-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at the acquisition value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is computed using the straight-line for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	$ 50,000.00	0 to 80 years
Buildings and Improvements	$ 50,000.00	0 to 80 years
Equipment	$ 50,000.00	5 to 25 years
Intangible Assets	$ 100,000.00	10 to 20 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FUND BALANCES

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The School District's fund balances are classified as follows:

Nonspendable consists of resources that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted consists of resources that can be used only for specific purposes pursuant constraints either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned consists of resources constrained by the School District's intent to be used for specific purposes but are neither restricted nor committed. The intent should be expressed by (1) the Board or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned consists of resources within the general fund not meeting the definition of any aforementioned category. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PROPERTY TAXES

The Randolph County Board of Commissioners adopted the property tax levy for the 2016 tax digest year (calendar year) on August 19, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on December 20, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Randolph County Board of Commissioners bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2017, for maintenance and operations amounted to $3,152,459.90.

The tax millage rate levied for the 2016 tax year (calendar year) for the School District was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	18.00 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $177,957.71 during fiscal year ended June 30, 2017.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to $6,010.64 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

NOTE 3: BUDGETARY DATA

The budget is a complete financial plan for the School District's fiscal year and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the general, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except for various school activity (principal accounts), is prepared and adopted by fund, function and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: DEPOSITS AND CASH EQUIVALENTS

COLLATERALIZATION OF DEPOSITS

O.C.G.A. § 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. § 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance.

Acceptable security for deposits consists of any one of or any combination of the following:

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2017, the School District had deposits with a carrying amount of $2,616,033.38, and a bank balance of $2,980,785.46. The bank balances insured by Federal depository insurance were $500,000.00 and the bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name were $2,480,785.46.

Reconciliation of cash and cash equivalents balances to carrying value of deposits:

Statement of Net Position	
Cash and cash equivalents	$ 2,615,707.42
Statement of Fiduciary Net Position	
Cash and cash equivalents	325.97
Total cash and cash equivalents	2,616,033.39
Less:	
Investment pools reported as cash and cash equivalents	
Georgia Fund 1	0.01
Total carrying value of deposits - June 30, 2017	$ 2,616,033.38

CATEGORIZATION OF CASH EQUIVALENTS

The School District reported cash equivalents of $0.01 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2016, was 56 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 72,035.00	$ -	$ -	$ 72,035.00
Capital Assets Being Depreciated				
Buildings and Improvements	10,563,163.53	-	-	10,563,163.53
Equipment	1,561,290.00	-	-	1,561,290.00
Land Improvements	411,042.00	-	-	411,042.00
Less Accumulated Depreciation for:				
Buildings and Improvements	4,842,353.80	367,174.00	-	5,209,527.80
Equipment	1,099,757.00	82,313.00	-	1,182,070.00
Land Improvements	324,374.00	13,333.00	-	337,707.00
Total Capital Assets, Being Depreciated, Net	6,269,010.73	(462,820.00)	-	5,806,190.73
Governmental Activity Capital Assets - Net	$ 6,341,045.73	$ (462,820.00)	$ -	$ 5,878,225.73

Current year depreciation expense by function is as follows:

Instruction		$ 324,148.00
Support Services		
General Administration	$ 47,667.00	
Student Transportation Services	90,151.00	137,818.00
Food Services		854.00
		$ 462,820.00

NOTE 6: INTERFUND TRANSFERS

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers to	Transfers From Debt Service Fund
Capital Projects Fund	$ 375,839.18

Transfers are used to move sales tax proceeds collected by the debt service fund to the capital projects fund to provide funds to pay various costs authorized by the sales tax referendum.

NOTE 7: LONG-TERM LIABILITIES

The changes in long-term liabilities during the fiscal year for governmental activities, were as follows:

	Governmental Activities				
	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General Obligation Bonds	$ 700,000.00	$ -	$ 700,000.00	$ -	$ -

GENERAL OBLIGATION DEBT OUTSTANDING

The School District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The School District repays general obligation bonds from voter-approved sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Of the total amount authorized during the year, $8,450,000.00 remains unissued. The School District did not have any general obligation bonds outstanding at June 30, 2017.

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceed commercial insurance coverage in any of the past three fiscal years.

The School District has elected to self-insure for losses related to natural disasters. The School District has not experienced any losses related to this risk in the past three years.

WORKERS' COMPENSATION

Georgia Education Workers' Compensation Trust

The School District participates in the Georgia Education Workers' Compensation Trust (the Trust), a public entity risk pool organized on December 1, 1991, to develop, implement and administer a program of workers' compensation self-insurance for its member organizations. The School District pays an annual premium to the Trust for its general workers' compensation insurance coverage. Specific excess of loss insurance coverage is provided through an agreement by the Trust with the

Safety National Casualty Company to provide coverage for potential losses sustained by the Trust in excess of $1.0 million loss per occurrence, up to the statutory limit. Employers' Liability insurance coverage is also provided with limits of $2.0 million. The Trust covers the first $1.0 million of each Employers Liability claim with Safety National providing additional Employers Liability limits up to a $2.0 million per occurrence maximum. Safety National Casualty Company also provides $2.0 million in aggregate coverage to the Trust, attaching at 110% of the loss fund and based on the Fund's annual normal premium.

UNEMPLOYMENT COMPENSATION

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the general fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2016	$ -	$ 5,518.73	$ 5,518.73	$ -
2017	$ -	$ 5,369.10	$ 5,369.10	$ -

SURETY BOND

The School District purchased a surety bond to provide additional insurance coverage as follows:

Position Covered	Amount
Superintendent	$ 50,000.00

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

The School District's financial statements include the following amounts presented in the aggregate at June 30, 2017:

Nonspendable		
Inventories		$ 12,061.01
Restricted		
Bus Replacement	$ 120,795.87	
Capital Projects	1,089,582.24	
Debt Service	0.01	1,210,378.12
Assigned		
School Activity Accounts		16,396.50
Unassigned		1,434,448.11
Fund Balance, June 30, 2017		$ 2,673,283.74

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

NOTE 10 : SIGNIFICANT COMMITMENTS

OPERATING LEASES

The School District leases copiers under the provisions of one or more long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled $77,019.07 for governmental activities for the year ended June 30, 2017. The following future minimum lease payments were required under operating leases at June 30, 2017:

Year Ending	Governmental Funds
2018	$ 77,368.36
2019	77,368.36
2020	77,368.36
2021	20,812.09
Total	$ 252,917.17

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

LITIGATION

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to have a material adverse effect on the financial condition of the School District.

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description: The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the State of Georgia Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Funding Policy: The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012 pay approximately 25% of the cost

of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2017:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

July 1, 2016 – June 30, 2017	$945.00 per member per month

For non-certificated school personnel:

July 1, 2016 – December 31, 2016	$746.20 per member per month
January 1, 2017 – June 30, 2017	$846.20 per member per month

No additional contribution was required by the Board for fiscal year 2017 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	$ 1,456,536.54
2016	100%	$ 1,365,991.02
2015	100%	$ 1,227,209.60

NOTE 13: RETIREMENT PLANS

The School District participates in various retirement plans administered by the State of Georgia, as further explained below.

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is

administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School District payroll, of which 14.14% of payroll was required from the School District and 0.13% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were $801,406.00 and $7,277.76 from the School District and the State, respectively.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Plan Description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits Provided: A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions: The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $26,207.00.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the School District reported a liability of $10,362,596.00 for its proportionate share of the net pension liability for TRS.

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	$ 10,362,596.00
State of Georgia's proportionate share of the net pension liability associated with the School District	95,935.00
Total	$ 10,458,531.00

The net pension liability for TRS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2016.

At June 30, 2016, the School District's TRS proportion was 0.050228%, which was a decrease of 0.000082% from its proportion measured as of June 30, 2015.

At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $194,648.00.

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of $992,863.00 for TRS and $31,910.00 for PSERS and revenue of $8,879.00 for TRS and $31,910.00 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 154,375.00	$ 51,243.00
Changes of assumptions	268,584.00	-
Net difference between projected and actual earnings on pension plan investments	1,310,911.00	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	2,245.00	399,910.00
School District contributions subsequent to the measurement date	801,406.00	-
Total	$ 2,537,521.00	$ 451,153.00

The School District contributions subsequent to the measurement date of $801,406.00 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2018	$ 76,061.00
2019	$ 76,060.00
2020	$ 628,554.00
2021	$ 484,674.00
2022	$ 19,613.00

Actuarial assumptions: The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.75%
Salary increases	3.25% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries'

projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees Retirement System:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	PSERS Target Allocation	Long-term expected real rate of return*
Fixed income	30.00%	30.00%	(0.50)%
Domestic large stocks	39.80%	37.20%	9.00%
Domestic mid stocks	3.70%	3.40%	12.00%
Domestic small stocks	1.50%	1.40%	13.50%
International developed market stocks	19.40%	17.80%	8.00%
International emerging market stocks	5.60%	5.20%	12.00%
Alternative	-	5.00%	10.50%
Total	100.00%	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate: The discount rate used to measure the total TRS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS and PSERS

pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate: The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 16,129,509.00	$ 10,362,596.00	$ 5,614,494.00

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS and PSERS financial report which is publicly available at www.trsga.com/publications and http://www.ers.ga.gov/formspubs/formspubs.html.

NOTE 14: DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The fund reporting a deficit fund balance at the fiscal year end, is as follows:

Fund Type/Fund Name	Deficit Balance
Governmental Funds/School Food Service	$ 29,544.51

The Board has taken the following corrective actions to reduce the deficit:

No full time substitute employees, reduced food purchases, reduced staff by attrition and elimination, and USDA food usage was increased.

NOTE 15: RELATED PARTY TRANSACTIONS

During the year under review, the School District conducted business with two related parties, Sarah Graddy and Xavier Graddy. Sarah Graddy is the wife of the Board Chair and Xavier Graddy is the son of the Board Chair. Current year expenditures for Sarah Graddy totaled $28,088.28 and for Xavier Graddy totaled $1,061.10 for a total of $29,149.38.

NOTE 16: SUBSEQUENT EVENTS

During October 2018, Hurricane Michael occurred causing damage to buildings and equipment.

In December 2019, a strain of coronavirus (COVID-19) began to spread worldwide, resulting in a severe impact to the United States economy in March 2020. The spread of COVID-19 has had a negative impact on virtually all businesses and individuals which comprise the tax base of all levels of government. The extent of this impact is uncertain but is expected to have negative results on financial operations, however the impact cannot be reasonably estimated at this time.

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RANDOLPH COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.050228%	$ 10,362,596.00	$ 95,935.00	$ 10,458,531.00	$ 5,562,967.92	186.28%	76.06%
2016	0.053010%	$ 7,659,198.00	$ 73,532.00	$ 7,732,730.00	$ 5,356,297.85	142.99%	81.44%
2015	0.054019%	$ 6,824,588.00	$ 66,074.00	$ 6,890,662.00	$ 5,510,977.36	123.84%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RANDOLPH COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00%	$ -	$ 194,648.00	$ 194,648.00	$ 392,151.00	N/A	81.00%
2016	0.00%	$ -	$ 117,900.00	$ 117,900.00	$ 360,597.95	N/A	87.00%
2015	0.00%	$ -	$ 110,827.00	$ 110,827.00	$ 430,082.81	N/A	88.29%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RANDOLPH COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered payroll	Contribution as a percentage of covered payroll
2017	$ 801,406.00	$ 801,406.00	$ -	$ 5,667,020.24	14.14%
2016	$ 786,557.75	$ 786,557.75	$ -	$ 5,562,967.92	14.14%
2015	$ 704,353.17	$ 704,353.17	$ -	$ 5,356,297.85	13.15%

This schedule is intended to show 10 years. Additional years will be displayed as they become available.

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Public School Employees Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

RANDOLPH COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

SCHEDULE "5"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ -	$ -	$ 3,359,664.00	$ 3,359,664.00
Sales Taxes	-	376,222.43	18,165.65	(358,056.78)
State Funds	18,712.00	70,849.25	5,806,416.30	5,735,567.05
Federal Funds	887,800.00	922,847.76	2,622,398.45	1,699,550.69
Charges for Services	51,561.00	51,561.00	110,352.32	58,791.32
Investment Earnings	12.00	12.00	236.63	224.63
Miscellaneous	1,478.00	3,478.00	232,724.00	229,246.00
Total Revenues	959,563.00	1,424,970.44	12,149,957.35	10,724,986.91
EXPENDITURES				
Current				
Instruction	5,433,236.08	6,717,121.88	5,972,054.71	745,067.17
Support Services				
Pupil Services	235,392.50	548,682.69	532,401.72	16,280.97
Improvement of Instructional Services	505,785.27	1,043,897.35	1,062,254.58	(18,357.23)
Educational Media Services	156,856.00	156,856.00	157,113.92	(257.92)
General Administration	283,790.00	310,035.20	453,000.80	(142,965.60)
School Administration	749,870.15	750,034.72	773,068.59	(23,033.87)
Business Administration	179,417.40	232,872.40	222,574.18	10,298.22
Maintenance and Operation of Plant	1,096,633.19	1,131,483.18	1,189,518.57	(58,035.39)
Student Transportation Services	695,059.00	769,987.49	782,589.15	(12,601.66)
Central Support Services	72,365.00	72,540.01	74,336.27	(1,796.26)
Other Support Services	19,454.00	19,506.25	50,878.98	(31,372.73)
Food Services Operation	959,313.00	961,866.00	937,797.28	24,068.72
Capital Outlay	8,454.00	10,454.00	131.29	10,322.71
Total Expenditures	10,395,625.59	12,725,337.17	12,207,720.04	517,617.13
Excess of Revenues over (under) Expenditures	(9,436,062.59)	(11,300,366.73)	(57,762.69)	11,242,604.04
Fund Balances - Beginning	560,922.67	560,922.67	1,641,464.18	1,080,541.51
Adjustments	-	206,487.26	-	(206,487.26)
Fund Balances - Ending	$ (8,875,139.92)	$ (10,532,956.80)	$ 1,583,701.49	$ 12,116,658.29

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $163,777.79 and $174,343.17, respectively.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	17175GA324N1099	$ 297,191.28
National School Lunch Program	10.555	17175GA324N1100	610,843.35
Total Child Nutrition Cluster			908,034.63
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	28,164.46
Grants to States	84.027	H027A160073	208,558.74
Preschool Grants	84.173	H173A150081	2,039.39
Preschool Grants	84.173	H173A160081	8,663.15
Total Special Education Cluster			247,425.74
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A160010	14,369.68
Improving Teacher Quality State Grants	84.367	S367A150001	52,081.02
Improving Teacher Quality State Grants	84.367	S367A160001	61,453.93
Rural Education	84.358	S358B150010	8,732.51
Rural Education	84.358	S358B160010	20,111.00
Title I Grants to Local Educational Agencies	84.010	S010A150010	170,535.28
Title I Grants to Local Educational Agencies	84.010	S010A160010	596,885.07
Total Other Programs			924,168.49
Total U. S. Department of Education			1,171,594.23
Health and Human Services, U. S. Department of			
Direct			
Head Start	93.600		821,038.24
Total Expenditures of Federal Awards			$ 2,900,667.10

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Randolph County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, Uniform *Administrative Requiremnets, Cost Principles, and Audit Requirements for Federal Awards* , wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 90,180.65
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	212,009.00
Kindergarten Program - Early Intervention Program	122,221.00
Primary Grades (1-3) Program	385,926.00
Primary Grades - Early Intervention (1-3) Program	359,992.00
Upper Elementary Grades (4-5) Program	211,170.00
Upper Elementary Grades - Early Intervention (4-5) Program	332,277.00
Middle School (6-8) Program	365,654.00
High School General Education (9-12) Program	553,406.00
Vocational Laboratory (9-12) Program	173,677.00
Students with Disabilities	944,169.00
Remedial Education Program	165,106.00
Alternative Education Program	35,586.00
Media Center Program	94,650.00
20 Days Additional Instruction	29,559.00
Staff and Professional Development	17,685.00
Principal Staff and Professional Development	769.00
Indirect Cost	
Central Administration	317,254.00
School Administration	313,635.00
Facility Maintenance and Operations	221,602.00
Mid-term Adjustment Hold-Harmless	90,844.00
Amended Formula Adjustment	(74,891.00)
Categorical Grants	
Pupil Transportation	
Regular	229,340.00
Nursing Services	45,000.00
Sparsity	106,936.00
Education Equalization Funding Grant	133,150.00
Other State Programs	
Charter System Grant	79,616.00
Food Services	19,816.00
Math and Science Supplements	8,180.09
Preschool Disability Services	66,229.37
Pupil Transportation - State Bonds	77,220.00
Teacher of the Year	507.25
Teachers Retirement	7,277.76
Vocational Education	2,755.42
Vocational Supervisors	6,653.00
Governor's Office of Student Achievement	
Connections for Classrooms Grant	35,047.76
Office of the State Treasurer	
Public School Employees Retirement	26,207.00
	$ 5,806,416.30

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RANDOLPH COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2017

SCHEDULE "8"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST III							
Repairing, renovating, extending, improving, rehabilitating, equipping, and upgrading existing facilities of the Randolph County School District, to include roof repairs;	$ 18,462.79	$ 2,137,437.14	$ 115,010.53	$ 1,062,731.94	$ -	$ -	6/30/2018
And planning for new School District site development and site acquisition	2,591,035.57	100,000.00	-	-	-	-	6/30/2017
Total SPLOST III	$ 2,609,498.36	$ 2,237,437.14	$ 115,010.53	$ 1,062,731.94	$ -	$ -	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Randolph County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) In addition to the expenditures shown above, the School district has incurred interest to provide advance funding for the above projects as follows:

Prior Years	$ 238,453.13
Current Year	7,875.00
Total	$ 246,328.13

See notes to the basic financial statements.

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SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

July 27, 2020

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Randolph County Board of Education

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Randolph County Board of Education (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated July 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items FS 2017-001 and FS 2017-002 to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item FS 2017-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

July 27, 2020

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

July 27, 2020

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Board of Education
and
Superintendent and Members of the
Randolph County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Randolph County Board of Education (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

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Basis for Qualified Opinion on Child Nutrition Cluster (CFDA 10.553, 10.555) and Head Start (CFDA 93.600)

As described in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding Child Nutrition Cluster (CFDA 10.553, 10.555) as described in items FA 2017-002 and FA 2017-004 for Allowable Costs/Costs Principles and Equipment and Real Property Management, and Head Start (CFDA 93.600) as described in items FA 2017-002, FA 2017-003, FA 2017-005 and FA 2017-006 for Allowable Costs/Costs Principles, Cash Management, Matching, Level of Effort, Earmarking, and Reporting. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to those programs.

Qualified Opinion on Child Nutrition Cluster (CFDA 10.553, 10.555) and Head Start (93.600)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster (CFDA 10.553, 10.555) and Head Start (CFDA 93.600) for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item FA 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items FA 2017-002, FA 2017-003, FA 2017-004, FA 2017-005 and FA 2017-006, to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item FA 2017-001, to be a significant deficiency.

The School District's response to the internal control over compliance findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.
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Respectfully submitted,



Greg S. Griffin
State Auditor

July 27, 2020

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SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7201-12-02	Inadequate Accounting Procedures
Control Category:	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
	Employee Compensation
	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District is reviewing accounting procedures related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the School District will research and attend trainings determined as beneficial.

FS-7201-12-03	Inadequate Internal Control Procedures over School Activity Accounts
Control Category:	Cash and Cash Equivalents
	Revenues/Receivables/Receipts
	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Unresolved

The School District is in the process of implementing an activity account manual and financial training with personnel from each school. The School District has also begun in-house audits of all activity accounts in an effort to detect deficiencies and offer support as needed.

FS-7201-13-02	Inadequate Accounting Procedures
Control Category:	Accounting Controls (Overall)
	Cash and Cash Equivalents
	General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District is reviewing accounting procedures related to all aspects of the accounting and payroll functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS-7201-13-03	Inadequate Internal Controls over School Activity Accounts
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Further Action Not Warranted

FS-7201-13-05	Improper Use of SPLOST Proceeds
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	None
Compliance Impact:	Nonmaterial Noncompliance
Finding Status:	Previously Reported Corrective Action Implemented

FS 2014-002	Inadequate Internal Control Procedures
Control Category:	Accounting Controls (Overall) Cash and Cash Equivalents Investments Expenditures/Liabilities/Disbursements General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District is reviewing accounting procedures related to all aspects of the accounting and payroll functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2014-003	Inadequate Accounting Procedures
Control Category:	Investments Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District is reviewing accounting procedures related to all aspects of the accounting and payroll functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls.

FS 2014-004	Inadequate Internal Controls over School Activity Accounts
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Further Action Not Warranted

FS 2015-002	Inadequate Internal Control Procedures
Control Category:	Accounting Controls (Overall) Cash and Cash Equivalents Investments Expenditures/Liabilities/Disbursements Employee Compensation General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District is reviewing accounting procedures related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-003	Inadequate Accounting Procedures
Control Category:	Investment Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District is reviewing accounting procedures related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls.

FS 2015-004	Inadequate Internal Control Procedures over School Activity Accounts
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Further Action Not Warranted

FS 2016-001	Internal Control Procedures
Control Category:	Accounting Controls (Overall) Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Employee Compensation General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District is reviewing accounting procedures related to all aspects of the accounting and payroll functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2016-002	**Accounting Procedures**
Control Category:	Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements Employee Compensation General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Finding Status:	Partially Resolved

The School District is reviewing accounting policies related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the School District will research and attend trainings determined as beneficial.

FS 2016-003	**Internal Control Procedures over School Activity Accounts**
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger
Internal Control Impact:	Significant Deficiency
Compliance Impact:	None
Finding Status:	Further Action Not Warranted

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-7201-12-01	**Inadequate Internal Control Procedures over Federal Program**
Compliance Requirement:	Activities Allowed/Unallowed Allowable Costs/Cost Principles Cash Management Equipment and Real Property Management Matching, Level of Effort and Earmarking Period of Availability of Federal Funds Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	CFDA 93.600 Head Start
Finding Status:	Partially Resolved

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The School District is working to implement training on the controls and procedures that are needed to ensure that all revenue and expenditures are recorded in accordance with Uniform Guidance and any terms and conditions outlined in awards.

FA-7201-12-02	Inadequate Internal Control over Employee Compensation Process
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education U.S. Department of Agriculture U.S. Department of Health and Human Services
Pass-Through Entity:	Georgia Department of Education Direct
CFDA Number and Title:	Special Education Cluster (CFDA 84.173 and 84.027) Child Nutrition Cluster (CFDA 10.553 and 10.555) Head Start (CFDA 93.600)
Finding Status:	Partially Resolved

The School District has implemented procedures to ensure employee compensation expenditures are properly documented and calculated with approved contracts, salary schedules, and time sheets to ensure accurate calculations on wages and leave.

FA-7201-12-03	Inadequate Internal Control Procedures
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Status:	Unresolved

The School District is developing an equipment listing including information on each piece of equipment to include all required and necessary information.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-7201-13-01	Inadequate Internal Controls over Federal Program
Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Cost Principles Cash Management Equipment and Real Property Management Matching, Level of Effort and Earmarking Period of Availability of Federal Funds Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	Head Start (CFDA 93.600)
Finding Status:	Partially Resolved

The School District is working to implement training on the controls and procedures that are needed to ensure that all revenue and expenditures are recorded in accordance with Uniform Guidance and any terms and conditions outlined in awards.

FA-7201-13-02	Inadequate Internal Control over Employee Compensation Process
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education U.S. Department of Agriculture U.S. Department of Health and Human Services
Pass-Through Entity:	Georgia Department of Education Direct
CFDA Number and Title:	Special Education Cluster (CFDA 84.173 and 84.027) Child Nutrition Cluster (CFDA 10.553 and 10.555) Head Start (CFDA 93.600)
Finding Status:	Partially Resolved

The School District has implemented procedures to ensure employee compensation expenditures are properly documented and calculated with approved contracts, salary schedules, and time sheets to ensure accurate calculations on wages and leave.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-7201-13-03	**Inadequate Internal Control Procedures**
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Status:	Unresolved

The School District is developing an equipment listing including information on each piece of equipment to include all required and necessary information.

FA 2014-001	**Inadequate Internal Control over Employee Compensation Process**
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education U.S. Department of Agriculture U.S. Department of Health and Human Services
Pass-Through Entity:	Georgia Department of Education Direct
CFDA Number and Title:	Special Education Cluster (CFDA 84.173 and 84.027) Child Nutrition Cluster (CFDA 10.553 and 10.555) Head Start (CFDA 93.600)
Finding Status:	Partially Resolved

The School District has implemented procedures to ensure employee compensation expenditures are properly documented and calculated with approved contracts, salary schedules, and time sheets to ensure accurate calculations on wages and leave.

FA 2014-002	**Inadequate Internal Control Procedures**
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Status:	Unresolved

The School District is developing an equipment listing including information on each piece of equipment to include all required and necessary information.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-001	**Inadequate Internal Control over Employee Compensation Process**
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Education U.S. Department of Agriculture U.S. Department of Health and Human Services
Pass-Through Entity:	Georgia Department of Education Direct
CFDA Number and Title:	Special Education Cluster (CFDA 84.173 and 84.027) School Improvement Grants Cluster (CFDA 84.388) Child Nutrition Cluster (CFDA 10.553 and 10.555) Head Start (CFDA 93.600)
Finding Status:	Partially Resolved

The School District has implemented procedures to ensure employee compensation expenditures are properly documented and calculated with approved contracts, salary schedules, and time sheets to ensure accurate calculations on wages and leave.

FA 2015-002	**Inadequate Internal Control Procedures**
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Finding Status:	Unresolved

The School District is developing an equipment listing including information on each piece of equipment to include all required and necessary information.

FA 2016-001	**Internal Control Procedures**
Compliance Requirement:	Activities Allowed/Unallowed Allowable Costs/Costs Principles Period of Performance
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	Head Start (CFDA 93.600)
Federal Award Numbers:	04CH4772/02 (Year 2016); 04CH4772/01 (Year 2015)
Questioned Costs:	$9,069.39
Finding Status:	Partially Resolved

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The School District is reviewing accounting procedures related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the School District will research and attend trainings determined as beneficial.

FA 2016-002	Internal Control Procedures
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	16165GA324N1099
Questioned Costs:	None Identified
Federal Awarding Agency:	U.S. Department of Education
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Special Education Cluster (CFDA 84.027 and 84.173) Title I, Part A (CFDA 84.010)
Federal Award Number:	H027A150073 – Special Education Grants to States H173A150081 – Special Education Preschool S010A150010 – Title I Grants to Local Educational Agencies
Questioned Costs:	None Identified
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	Head Start (CFDA 93.600)
Federal Award Numbers:	04CH4772/02 (Year: 2016), 04CH4772/01 (Year: 2015)
Questioned Costs:	None Identified
Finding Status:	Unresolved

The School District has implemented procedures to ensure employee compensation expenditures are properly documented and calculated with approved contracts, salary schedules, and time sheets to ensure accurate calculations on wages and leave.

RANDOLPH COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2016-003	Excessive Cash Balance
Compliance Requirement:	Cash Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	Head Start (CFDA 93.600)
Federal Award Numbers:	04CH4772/02 (Year 2016), 04CH4772/01 (Year 2015)
Questioned Costs:	None Identified

Finding Status: Unresolved

The School District is reviewing accounting procedures related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the School District will research and attend trainings determined as beneficial.

FA 2016-004	Internal Control Procedures
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	Child Nutrition Cluster (CFDA 10.553 and 10.555)
Federal Award Number:	16165GA324N1099
Questioned Costs:	None Identified

Finding Status: Unresolved

The School District is reviewing accounting procedures related to the purchase and record requirements of assets. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the School District will research and attend trainings determined as beneficial along with updating the existing asset listing for all items currently owned and perform physical inventories to determine the status of the assets.

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SECTION IV

FINDINGS AND QUESTIONED COSTS

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RANDOLPH COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information — Unmodified

Internal control over financial reporting:
- Material weaknesses identified? — Yes
- Significant deficiency identified? — Yes

Noncompliance material to financial statements noted: — No

Federal Awards

Internal Control over major programs:
- Material weaknesses identified? — Yes
- Significant deficiencies identified? — Yes

Type of auditor's report issued on compliance for major programs:
All major programs — Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? — Yes

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000.00

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-001	Internal Control Procedures
Control Categories:	Accounting Controls (OVERALL) Cash and Cash Equivalents Expenditures/Liabilities/Disbursements Employee Compensation General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-001, FS 2015-002, FS 2014-002, FS-7201-13-02, FS-7201-12-02

Description:
The accounting procedures of the School District were insufficient to provide adequate internal controls over numerous control categories.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

Condition:
Accounting Controls (OVERALL)

- The School District does not have adequate logical access controls in place to ensure only appropriate users have access to the School District's significant financial application and student information system. For the financial application, we noted several users with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets. In addition, the School District does not have a formal policy for managing user access to the financial application or student information system and supporting infrastructure. It was also noted that the School District could not provide documentation that the backups are completed successfully. For the student information system, we noted the School District did not have adequate password policies.

Cash and Cash Equivalents

- The timeliness of bank reconciliations could not be determined because they were not dated by the preparer.
- None of the ten bank reconciliations reflected evidence of supervisory review or approval.
- Reconciling items reflected on the general operating account and school food service bank reconciliations were not investigated and recorded in a timely manner. Reconciling items noted dating back to August 2013.
- Nine of the ten bank reconciliations tested included variances between the book balance on the bank reconciliation and the balance on the general ledger for a total variance of $7,130.32.
- The Local Government Investment Pool (LGIP) account was not reconciled to the general ledger for any month during the fiscal year under review.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Expenditures/Liabilities/Disbursements

- Our examination of twelve expenditures revealed the following deficiencies:
  - One voucher package had no supporting documentation.
  - One expenditure was not approved.
  - One expenditure was not charged to the proper period.

Employee Compensation

- The Superintendent received payments for the employee portion of health, dental, vision, and life insurance, but could not provide a contract amendment supporting the payments.

General Ledger

- The School District could not provide documentation for four of the seven journal entries tested.

Capital Assets

- A capital asset physical inventory has not been performed in over two years.

Cause:
The School District did not have adequate internal controls or supporting documentation for the various amounts recorded in the School District's internal accounting system.

Effect or Potential Effect:
Without satisfactory internal controls and procedures in place, the School District could place itself in a position where potential misappropriation of assets could occur. In addition, the lack of controls impacted its reporting of financial position and results of operations.

Recommendation:
The School District should review internal controls to ensure they are designed, implemented and operating effectively relative to the above control categories. Management should also ensure that proper separation of duties exists. In the case when management determines that separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that transactions are properly processed and reported.

Views of Responsible Officials:
We concur with this finding.

FS 2017-002	Accounting Procedures
Control Category:	Cash and Cash Equivalents Revenues/Receivables/Receipts Expenditures/Liabilities/Disbursements General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-002, FS 2015-003, FS 2014-003

Description:
The accounting procedures of the School District were insufficient to ensure that transactions were recorded accurately on the general ledger.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:

The School District's management is responsible for designing and maintaining internal controls and accounting procedures that provide reasonable assurance that transactions are processed and recorded on the general ledger. Section I- Chapter 1 *Introduction to LUA Accounting* of the Financial Management for Georgia Local Units of Administration (FMGLUA) states in part "Accounting records must provide meaningful, reliable, accurate and timely information to the many persons and groups with legitimate interest in the financial affairs of an LUA."

Condition:

The following deficiencies were noted during our audit procedures:

Cash and Cash Equivalents

- A material audit adjustment of $19,293.78 was proposed and accepted by the client to correct capital projects cash and expenditures.

Revenues/Receivables/Receipts

- On-behalf payments in the amount of $33,484.74 were not recorded on the general ledger.
- Property tax accounts receivable in the amount of $38,249.27 was not recorded on the general ledger.
- Federal program grant revenues and accounts receivable in the amount of $48,946.95 were not accrued on the general ledger for expenditures incurred on grants during the fiscal year under review. Also, $73,024.55 of grant revenues received were not recorded on the general ledger.

General Ledger

- School Activity Account activity was not recorded on the general ledger.
- A significant audit adjustment in the amount of $112,764.11 was proposed and accepted by the client to correct beginning fund balance and unearned revenue.

Capital Assets

- Current year depreciation of $462,820.00 was not recorded on the general ledger.

Cause:

In discussing this deficiency with the School District, they stated that these issues were a result of a lack of training and internal control procedures within the finance department.

Effect or Potential Effect:

Material errors and/or irregularities were not detected in a timely manner.

Recommendation:

The School District should establish and implement appropriate controls over the significant processes and procedures to prevent errors as noted above. In addition, the School District should provide training to those responsible for the implementation of these controls.

Views of Responsible Officials:

We concur with this finding.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2017-003	Budget Deficit
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance

Description:
The School District did not adopt a balanced general fund original or final budget for fiscal year 2017.

Criteria:
Chapter IV-2 *Preparing Operating Budgets* of the Financial Management for the Georgia Local Units of Administration states in part: "The budget must be balanced for all budgeted funds. Total anticipated revenues should equal total estimated expenditures. In the event anticipated revenues are insufficient to fund anticipated essential expenditures, a portion of unassigned fund balance from previous years must be used to fund the short fall. In the event there is insufficient unassigned fund balance from previous years to fund anticipated expenditures, then such expenditures must be reduced to equal anticipated revenues plus available unassigned fund balance."

Condition:
The School District's original and final budget for the general fund were not balanced. Total anticipated revenues and beginning fund balance were less than total estimated expenditures resulting in an original budget deficit of $8,875,139.92 and a final budget deficit of $10,532,956.80, respectively.

Cause:
In discussing this deficiency with the School District, they stated that they did not use effective budgeting techniques to ensure the budget is properly balanced.

Effect or Potential Effect:
Ineffective budgeting techniques in the original and final budget resulted in a budget deficit and noncompliance with Chapter IV-2 of the Financial Management for Georgia Local Units of Administration.

Recommendation:
The School District should strengthen controls over the budget process to ensure that both anticipated revenues and estimated expenditures for each program are included and that the adopted budget for each budgeted fund is balanced as required.

Views of Responsible Officials:
We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-001	Improve Controls over Expenditures
Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Costs Principles Period of Performance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Numbers:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016),
Questioned Costs:	$4,849.85
Repeat of Prior Year Findings:	FA 2016-001, FA-7201-13-01, FA-7201-12-01

Description:
A review of expenditures charged to the Head Start program (CFDA 93.600) revealed the School District did not implement internal control procedures to ensure transactions were properly documented and approved.

Criteria:
2 CFR 200.403 prescribes the factors affecting allowability of costs and states in part that "costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles… (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity… (g) Be adequately documented…"

In addition, 2 CFR 200.303(a) states in part that "non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award… (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and condition of Federal awards."

Condition:
A sample of 25 expenditures was randomly selected for testing using a non-statistical sampling approach. These expenditures were reviewed to determine if appropriate internal controls were implemented and applicable compliance requirements were met. However, eight voucher packages could not be located by the School District for review.

Questioned Costs:
Questioned costs of $4,849.85, with likely questioned costs of $21,061.10, were identified for undocumented expenditures.

Cause:
In discussing this deficiency with management, they stated that the missing voucher packages were due to Hurricane Michael.

Effect or Potential Effect:
Fiscal staff were unable to provide documentation on Federal funds of approval of use. Additionally, the School District is not in compliance with the Uniform Guidance.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should take this opportunity to communicate and emphasize the importance of document retention to staff and ensure that staff maintain and retain all documents supporting payments in accordance with record retention policy.

Views of Responsible Officials:
We concur with this finding.

FA 2017-002	Strengthen Controls over Employee Compensation
Compliance Requirement:	Allowable Costs/Costs Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Number:	17175GA324N1100
Questioned Costs:	None Identified

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Numbers:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016),
Questioned Costs:	$3,827.30

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over the employee compensation process as it relates to the Child Nutrition Cluster and Head Start program.

Criteria:
2 CFR section 200.430(i) states in part that "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; (ii) Be incorporated into the official records of the non-Federal entity…"

In addition, 2 CFR 200.303(a) states in part that the "non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award… (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Condition:

A random sample of five Child Nutrition Cluster employees and three Head Start program employees was selected for testing using a non-statistical sampling approach. These employees were reviewed to determine if internal controls were properly functioning and applicable compliance requirements were met. The following deficiencies were noted:

- The School District did not maintain documentation to support rates of pay.
- The School District did not maintain appropriate time and effort documentation for the Head Start program.
- Adequate documentation was not maintained to support $3,827.30 in salary payments to two Head Start program employees.

Questioned Costs:

Questioned costs of $3,827.30, with likely questioned costs of $25,491.90, were identified for unsupported salary payments associated with the Head Start program.

Cause:

In discussing this deficiency with management, they stated the Head Start program never recovered documentation lost during Hurricane Michael and the Child Nutrition Cluster could not locate documentation due to turnover.

Effect or Potential Effect:

Failure to pay employees of the Child Nutrition Cluster and Head Start program the appropriate amount and/or maintain documentation supporting these payments could result in the expenditure of funds for unallowable purposes. This may also expose the School District to unnecessary financial strains and shortages within the Child Nutrition Cluster and Head Start program funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

Recommendation:

The School District should evaluate their internal control processes regarding the retention of documentation to support employee compensation payments to ensure that Child Nutrition Cluster and Head Start program employees are paid appropriately. Furthermore, management should develop and implement a monitoring process to ensure that these procedures are operating appropriately.

Views of Responsible Officials:

We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-003	Improve Controls over Cash Management
Compliance Requirement:	Cash Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Numbers:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016),
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2016-003

Description:
The School District made cash drawdowns in excess of immediate cash needs for the Head Start program.

Criteria:
2 CFR 200.305(b) states, "For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from… the pass-through entity and the disbursement by the non-Federal entity." In addition, 2 CFR 200.302(b)(6) requires that the entity development written cash management procedures.

Furthermore, 2 CFR 200.303(a) states in part that the "non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award… (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

Condition:
Upon review of cash drawdowns and disbursements related to the Head Start program, excessive cash balances were noted for 365 days in the fiscal year.

Cause:
In discussing the issue with management, they stated drawdowns were requested based on anticipated expenditures, instead of actual expenditures due to the unfamiliarity of personnel with the procedures for drawdowns.

Effect or Potential Effect:
The School District could potentially accrue a Federal interest liability that would be owed to the Federal government. In addition, the School District is not in compliance with the Uniform Guidance.

Recommendation:
The School District should develop and implement procedures to accurately forecast the cash needs of the Head Start program and minimize the time elapsing between the transfer of funds from the U.S. Department of Health and Human Services and the disbursement of such funds by the School District. These procedures should be documented in accordance with 2 CFR 200.302(b)(6). In addition, management should develop and implement a monitoring process to ensure that these procedures are followed.

Views of Responsible Officials:
We concur with this finding.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-004	Strengthen Controls over Equipment
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Number:	17175GA324N1100
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2016-004, FA 2015-002, FA 2014-002, FA-7201-13-03, FA-7201-12-03

Description:
The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

Criteria:
2 CFR 200.313(d)(1) states, "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project cost for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property". In addition, 2 CFR 200.313(d)(2) states, "A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

Condition:
The following deficiencies were noted when reviewing the Child Nutrition Cluster equipment listing:

- Property records did not include the following required components: (1) A serial number or other identification number, (2) who holds title, (3) the acquisition date, (4) cost of the property, (5) percentage of Federal participation in the project costs for the Federal award under which the property was acquired, (6) the location, (7) use and condition of the property, and (8) disposition data including the date of disposal and sale price of the property.
- There was no evidence that a physical inventory had been performed in either the current year or the previous year.

Cause:
In discussing this deficiency with management, they stated the deficiencies occurred because management failed to effectively implement Federal guidelines as they pertain to equipment and real property management.

Effect or Potential Effect:
Failure to maintain a complete an accurate equipment listing and reconcile results of the physical inventory performed to the property records exposes the School District to unnecessary risk of error and misuse of equipment and/or Federal funds. Additionally, the School District is not in compliance with the Uniform Guidance and Georgia Department of Education guidance.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Recommendation:
The School District should develop and maintain an equipment listing that reflects all required information, including a description, an identifying number, the source of funding, the title holder, the acquisition date, the cost, the percentage of Federal participation in the project costs, the location, the use and condition, and any ultimate disposal data for each piece of equipment. In addition, management should implement controls to ensure that a complete physical inventory of equipment is performed, and the results are reconciled back to the equipment listing at least once every two years.

Views of Responsible Officials:
We concur with this finding.

FA 2017-005	Improve Controls over Earmarking Requirements
Compliance Requirement:	Matching, Level of Effort, Earmarking
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Numbers:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016),
Questioned Costs:	$25,329.07

Description:
The policies and procedures of the School District did not provide adequate internal controls over the earmarking requirements with the Head Start program.

Criteria:
45 CFR 1301.32(a)(1) states “Allowable cost for developing and administering a Head Start program may not exceed 15 percent of the total approved costs of the program, unless the responsible HHS official grants a waiver approving a higher percentage for a specific period of time not to exceed twelve months.”

Condition:
Our review of expenditures related to the Head Start program revealed that an excessive amount was expended for development and administration of the program. The total approved costs of the program were $873,857.00. Fifteen percent of this amount was $131,078.55. The School District expended $156,407.62 for development and administrative costs. Therefore, the School District expended $25,329.07 more than the maximum allowed for development and administrative costs.

Questioned Cost:
Questioned costs of $25,329.07 were identified for development and administrative costs in excess of the allowable amount.

Cause:
In discussing this deficiency with management, they stated the deficiencies occurred because management failed to effectively implement Federal guidelines as they pertain to earmarking requirements.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Effect or Potential Effect:
Failure to ensure that the appropriate amount of development and administrative costs are recorded for the Head Start program could result in unnecessary financial strains and shortages within the Head Start program fund. Additionally, the School District is not in compliance with Federal regulations specific to the Head Start program.

Recommendation:
The School District should implement policies and procedures to ensure the amount of development and administrative costs charged to the Head Start program do not exceed the maximum amount allowed. Furthermore, management should develop and implement a monitoring process to ensure that controls are operating appropriately.

Views of Responsible Officials:
We concur with this finding.

FA 2017-006	Strengthen Controls over Financial Reporting
Compliance Requirement:	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Numbers:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016),
Questioned Costs:	Unknown

Description:
The policies and procedures of the School District did not provide adequate internal controls over the reporting requirements with the Head Start program.

Criteria:
2 CFR 200.302(a) states in part that "the non-Federal entity's financial management systems must… be sufficient to permit the preparation of reports required by general and program-specific terms and conditions." In addition, 2 CFR 200.302(b)(2) states in part that the non-Federal entity's financial management systems must provide for "accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements."

Furthermore, 2 CFR 200.303(a) states in part that "the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award… (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards."

Condition:
During our review of the SF-425, *Federal Financial Report*, the following deficiencies were noted:

- The report was due on January 31, 2018; however, it was not filed until October 17, 2019. In addition, the report was not accepted by the grantor as of the last date of audit fieldwork.
- The expenditures reflected on the report were overstated by $40,352.08 based upon a review of the general ledger.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Questioned Cost:

Though questioned cost may exist, these amounts are unknown. The SF-425, *Federal Financial Report*, has not been accepted by the grantor and final cash drawdowns have not yet come.

Cause:

In discussing this deficiency with management, they stated the deficiencies occurred because management failed to effectively implement Federal guidelines as they pertain to reporting requirements.

Effect or Potential Effect:

Failure to accurately report Federal award expenditures through the financial reporting process could lead to the filing of payment requests that do not agree to actual expenditures. Therefore, the School District may obtain more or less Federal funding than they were eligible to receive. Additionally, the School District is not in compliance with the Uniform Guidance.

Recommendation:

The School District should revise and implement internal control procedures to ensure that financial reports submitted to Federal grantors are in a timely manner and supported by the accounting records. In addition, management should develop and implement a monitoring process to ensure that control procedures are being followed.

Views of Responsible Officials:

We concur with this finding.

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SECTION V

MANAGEMENT'S CORRECTIVE ACTION

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Henry L. Cook, Board member
Jack Fowler, Board member

Ra'mel Thomas, Vice-Chairman
Dymple McDonald, Board member
Tangela Madge, Superintendent

Randolph County Board of Education
Auditee's Response Schedule of Management's Corrective Action
Fiscal Year Ended June 30, 2017

CORRECTIVE ACTION PLANS - FINANCIAL STATEMENT FINDINGS

FS 2017-001	Internal Control Procedures
Control Category:	Accounting Controls (OVERALL) Cash and Cash Equivalents Revenues/Receipts/Receivables Expenditures/Liabilities/Disbursements Employee Compensation General Ledger Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-001, FS 2015-002, FS 2014-002, FS-7201-13-02, FS-7201-12-02

The accounting procedures of the School District were insufficient to provide adequate internal controls over numerous control categories.

Corrective Action Plans:

The School District will review accounting procedures related to all aspects of the accounting and payroll functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls.

Estimated Completion Date: June 30, 2020

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Rodney Burks, Board Chairman
Henry L. Cook, Board member
Jack Fowler, Board member

Ra'mel Thomas, Vice-Chairman
Dymple McDonald, Board member
Tangela Madge, Superintendent

FS 2017-002	Accounting Procedures
Control Category:	Cash and Cash Equivalents
	Revenues/Receipts/Receivables
	Expenditures/Liabilities/Disbursements
	General Ledger
	Capital Assets
Internal Control Impact:	Material Weakness
Compliance Impact:	None
Repeat of Prior Year Finding:	FS 2016-002, FS 2015-003, FS 2014-003

The accounting procedures of the School District were insufficient to ensure that transactions were recorded accurately on the general ledger.

Corrective Action Plans:

The School District will review accounting procedures related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the district will research and attend trainings determined as beneficial.

Estimated Completion Date: June 30, 2020

Contact Person: Darlene B. Wingler
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FS 2017-003	Budget Deficit
Control Category:	Budget Preparation/Execution
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance

The School District did not adopt a balanced general fund budget for fiscal year 2017.

Corrective Action Plans:

The School District will prepare and adopt a general fund budget for all future years.

Estimated Completion Date: June 30, 2018

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CORRECTIVE ACTION PLANS – FEDERAL AWARD FINDINGS

FA 2017-001	Improve Controls over Expenditures
Compliance Requirement:	Activities Allowed or Unallowed Allowable Costs/Costs Principles Period of Performance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Number:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016)
Questioned Costs:	$4,849.85
Repeat of Prior Year Finding:	FA 2016-001, FA-7201-13-01, FA-7201-12-01

A review of expenditures charged to the Head Start Grant (CFDA 93.600) revealed the School District did not implement internal control procedures to ensure transactions were properly documented and approved.

Corrective Action Plan:

The School District will review accounting procedures related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the district will research and attend trainings determined as beneficial.

Estimated Completion Date: June 30, 2020

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FA 2017-002	Strengthen Controls over Employee Compensation
Compliance Requirement:	Allowable Costs/Cost Principles
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Number:	17175GA324N1100
Questioned Costs:	None Identified

Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Number:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016)
Questioned Costs:	$3,827.30

The policies and procedures of the School District were insufficient to provide adequate internal controls over the employee compensation process as it relates to the Child Nutrition Cluster and Head Start program.

Corrective Action Plan:

The School District has implemented procedures to ensure employee compensation expenditures are properly documented and calculated with approved contracts, salary schedules, and time sheets to ensure accurate calculations on wages and leave.

Estimated Completion Date: June 30, 2019

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FA 2017-003	Improve Controls over Cash Management
Compliance Requirement:	Cash Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Number:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016)
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2016-003

The School District made cash drawdowns in excess of immediate cash needs for the Head Start program.

Corrective Action Plan:

The School District will review accounting procedures related to all aspects of the accounting functions. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the district will research and attend trainings determined as beneficial.

Estimated Completion Date: June 30, 2020

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FA 2017-004	Strengthen Controls over Equipment
Compliance Requirement:	Equipment and Real Property Management
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Agriculture
Pass-Through Entity:	Georgia Department of Education
CFDA Number and Title:	10.553 and 10.555 Child Nutrition Cluster
Federal Award Number:	17175GA324N1100
Questioned Costs:	None Identified
Repeat of Prior Year Finding:	FA 2016-004, FA 2015-002, FA 2014-002, FA-7201-13-03, FA-7201-12-03

The policies and procedures of the School District were insufficient to provide adequate internal controls over equipment and real property management as it relates to the Child Nutrition Cluster.

Corrective Action Plan:

The School District will review procedures related to purchase and record requirements of assets. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the district will update the existing asset listing for all items currently owned and perform a physical inventory to determine the status of assets and verify location and condition of assets.

Estimated Completion Date: June 30, 2019

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FA 2017-005	Improve Controls over Earmarking Requirements
Compliance Requirement:	Matching, Level of Effort, Earmarking
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Number:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016)
Questioned Costs:	$25,329.07

The policies and procedure of the School District did not provide adequate internal controls over the earmark requirements with the Head Start Program.

Corrective Action Plan:

The School District will review accounting procedures related to all aspects of the accounting functions related to the Head Start Program. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the district will research and attend trainings determined as beneficial.

Estimated Completion Date: June 30, 2020

Contact Person: Darlene B. Wingler
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FA 2017-006	Strengthen Controls over Financial Reporting
Compliance Requirement:	Reporting
Internal Control Impact:	Material Weakness
Compliance Impact:	Material Noncompliance
Federal Awarding Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	Direct
CFDA Number and Title:	93.600 Head Start
Federal Award Number:	04CH477201 (Year: 2017), 04CH477202 (Year: 2016)
Questioned Costs:	Unknown

The policies and procedure of the School District did not provide adequate internal controls over the reporting requirements with the Head Start Program.

Corrective Action Plan:

The School District will review procedures related to all aspects of the reporting requirements related to the Head Start Program. Policies and procedures will be updated to reflect needed adjustments to help eliminate any deficiencies in internal controls and the district will research and attend trainings determined as beneficial.

Estimated Completion Date: June 30, 2020

Contact Person: Darlene B. Wingler
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Superintendent

Dr. Tangela Madge